Marty - FYI

February 8, 1993

Fr: Keith Jordan
To: Point Board of Directors
Re: Financial Status

Overview

We continue to spend money that we do not have and do not have reasonable certainty of getting. This has basically been the case since the decision to change Executive Directors eleven months ago. At that time we had a modest amount of money in the bank; we have now spent all of that and yet we have done nothing effective to bring our income and expenses into parity.

The fact is that we made a significant increase in our expense structure at the direction of the Board when Jon was hired (and authorized to hire an assistant and begin developing new projects). For a complex set of reasons neither fundraising nor net profits from new projects have made any significant contribution to covering these expenses as yet.

1992-93 Summary

I have attached a summary of all of the expenses for 1992 and 1993 associated with this change in direction (New Project P&L 93/02/08). I recognize that some portion of these expenses are reasonably borne by the magazine and I leave it to you to determine how much (though I should also point out that significant amounts of WER staff time have also gone into providing support for New Project-related efforts).

What this summary boils down to is a net cost in the neighborhood of $35,000 for New Projects for the year 1992 and $102,000 for 1993. There may yet be additional off-setting income for these costs in 1993, but none is currently firmly predictable. From February on we are looking at a projected net cost of just under $9,000 per month.

This same report shows WER with a gain of something over $3,000 for both 1992 and 1993, before allocating some portion of New Project/Director expenses to the magazine.

I am mailing you an overall financial summary for 1992 and a budget by quarter for 1993 for your fuller information. (the numbers are small enough that they won't reproduce well via fax.

<u>At the rate we are now going, we will not be able to meet our obligations by the end of February, meaning we will not be able to both meet payroll and pay bills which are due. I anticipate that we will be able to do neither by the middle of March.</u>

Cash Situation

Point's balance of cash on hand decreased by $26,000 over the course of 1992 (to $20,128 as of 12/31/92). This would have been worse but for the fact that we were holding back on paying some $40,000 in past due payables.

Over 1993 our currently projected change in cash position looks something like this:

• Cash at beginning of year:	$20,128
• Less overall projected loss for 1993:	($98,462)
• Less adjustments for cash changes not reflected in P&L:	
- Decrease in Sub Liability	($27,907)
- Past due payables	($41,290)
- Minimum capital expenditures	($9,200)
- Loan payoff	($10,800)
• Projected Cash short-fall end of 1993	($167,481)

My model for projecting cash flow is still somewhat rough, but I believe this total is, given current assumptions, within $15,000 plus or minus of our likely short-fall.

Obviously this is a great deal of money for an organization to make up when its projected revenues for the year are under $800,000. Even if all of the $102,000 projected cost of New Project development were to be provided from some as yet unproven source, we would still be looking at a cash short-fall of $50,000 to $80,000 for the year.

Possible Sources of Additional Revenue

Improvements in general WER revenues: I have attempted to be conservative in my revenue projections for the year, especially with regard to subscription and newsstand sources, so it is possible that we will do better than projected. There does continue to be a recession, though, and I feel compelled to continue being conservative. Range of potential net gain for 1993: $0-$60,000.

Fundraising: If we follow the course of hiring a staff or contract fundraiser it is unlikely that we would see any significant net gain earlier than April, perhaps later than that. Range of potential net gain for 1993: $0-$40,000.

Friends of Whole Earth mail solicitation campaign: This might be the responsibility of a hired fundraiser. It is unclear what the development costs of such an effort would be, though it is not unusual to only see a net from such an effort in the second year of the campaign. Range of potential net gain for 1993: $0-$15,000.

Advance renewal effort: This effort could be in the mail by the 26th of February and could be showing a net gain by late in March. It will effectively mean that we are borrowing from future magazine revenues (some from later this year, most from 1994 and 1995) and that money will need to be recouped out of New Project revenues or we will face another cash crisis next year. This effort, unlike others discussed here, will only improve the cash picture and will not have a significant effect on this year's bottom line (since we will not "earn" most of the revenue from an advance renewal until subsequent years). Range of potential net cash improvement for 1993: $50,000-$125,000.

A new general Whole Earth Catalog: This does seem to be a viable project to consider, but the big question is whether it will be possible to sign a contract which leaves a significant net gain after the costs of producing the Catalog and paying John Brockman's commission. Our ballpark estimate has been that it might cost $350,000 to $500,000 to do such a Catalog and do it right. When Brockman's commission is taken into account this means we will need a contract in excess of $400,000 (and perhaps as high as $575,000) to see any significant net gain. Also, it will take at least a couple of months to see whether a contract of this size is likely and will be at least June and perhaps as late as September before we could hope to see any actual cash. Our costs on this are going to be fairly front-loaded, so even if we get a big contract we may not see a net before sometime well into 1994. Range of potential net gain for 1993-94: $0-$500,000.

Book series: These books are more ready to go than a big Catalog, though they also seem much less likely to add significantly to our net gain for the year. Brockman has indicated that our expressed needs for these books are not out of the ballpark, but we could probably only do one or two of them in 1993 and if they don't make a big contribution to our net they will also have an opportunity cost in that we will be using up limited resources which might otherwise be pursuing potentially more lucrative projects. Range of potential net gain for 1993: $0-$75,000.

Direct mail for WER: Though our prospects for direct mail look promising, it will require a cash infusion for at least the first couple of years. If the magazine is growing (say doubling or tripling its subscription base by the end of 1994) that will however mean an increase in indirect sources of income such as pass along sales on subscriber insert cards, more readers to purchase gift subs, more book and product sales, etc. Range of potential net gain for 1993: none likely.

New Project P&L 93/02/08 (updated/printed 2/8/93, 10:42 PM)

	Actuals Totals for 1992	Budget 1st Qtr 1993	Budget 2nd Qtr 1993	Budget 3rd Qtr 1993	Budget 4th Qtr 1993	Current Budget 1993	1992 & 1993 Combined
New Project Income							
Royalties Books/Projects	$0	$0	$0	$0	$0	$0	$0
Contributions from Fundraising	$10,000	$2,000	$0	$0	$0	$2,000	$12,000
Sales - Dance Events	$3,261	$0	$0	$0	$0	$0	$3,261
Total New Project Income	$13,261	$2,000	$0	$0	$0	$2,000	$15,261
New Project Expenses							
Exec Dir Salary (since hiring JM)	$29,660	$11,343	$11,419	$11,419	$11,419	$45,601	$75,261
Severance Pay to KT	$9,000	$0	$0	$0	$0	$0	$9,000
Asst to Exec Director Salary	$7,519	$6,497	$6,529	$6,529	$6,529	$26,085	$33,603
Pre-Project Pay & Expenses	$559	$4,567	$6,810	$6,810	$6,810	$24,997	$25,556
Fundraising Pay & Expenses	$264	$66	$0	$0	$0	$66	$331
Dance Event Pay & Expenses	$3,754	$333	$0	$0	$0	$333	$4,087
Est New Project P/R Taxes/Wrkrs Comp	$4,711	$1,829	$1,864	$1,864	$1,864	$7,423	$12,134
Est New Project Health Care Exp	$1,470	$882	$882	$882	$882	$3,530	$5,000
New Project Additional Rent	$3,242	$2,049	$2,049	$2,049	$2,049	$8,196	$11,438
WELL Consultancy Payments	($12,000)	($3,000)	($3,000)	($3,000)	($3,000)	($12,000)	($24,000)
Total New Project Expenses	$48,180	$24,566	$26,555	$26,555	$26,555	$104,230	$152,410
New Project Gain/(Loss)	($34,918)	($22,566)	($26,555)	($26,555)	($26,555)	($102,230)	($137,148)
Total WER Income	$772,309	$191,044	$197,600	$189,400	$209,600	$787,644	$1,559,954
Total WER Expenses	$768,737	$199,305	$189,594	$189,072	$205,904	$783,876	$1,552,613
WER Gain/(Loss)	$3,573	($8,261)	$8,006	$328	$3,696	$3,768	$7,341
Combined Gain/(Loss)	($31,346)	($30,827)	($18,549)	($26,227)	($22,859)	($98,462)	($129,807)